

# **State of Alaska FY2008 Governor's Operating Budget**

## **Department of Labor and Workforce Development Workers' Compensation Results Delivery Unit Budget Summary**

## Workers' Compensation Results Delivery Unit

### Contribution to Department's Mission

The Workers' Compensation RDU contributes to the department's mission of advancing employment opportunities. It does so by ensuring the efficient, fair and predictable delivery of indemnity, medical and vocational rehabilitation benefits intended to enable workers to return to work at a reasonable cost to employers.

### Core Services

The Workers' Compensation Act established a Board to set policy and ensure proper implementation of the Act's benefits and requirements. The workers' compensation component is the Board's administrative arm. It maintains a comprehensive database, disseminates information, investigates complaints, informally resolves disputes, and aids the Board's provision of fair, formal hearings on disputed claims. It also assists the Board in enforcing the requirement that employers either insure or qualify to self-insure their workers' compensation liabilities.

The Workers' Compensation Act was amended in 2005 to create the Workers' Compensation Appeals Commission and the Benefits Guaranty Fund. The commission has jurisdiction to hear appeals from final decisions and orders of the Workers' Compensation Board. The Benefits Guaranty Fund will be used to pay benefits to workers whose employer was uninsured at the time of the injury.

The Fishermen's Fund component pays the costs of health care and medical treatment provided to Alaskan commercial fishermen, for occupational injuries or illnesses directly connected to operations on shore or in Alaska waters, when the costs are not covered by public or private insurance.

The Second Injury Fund component reduces financial disincentives to reemployment of disabled workers. This is done by limiting a subsequent employer's liability for compensation payable when a previously disabled employee sustains a second injury causing additional disability.

End Results	Strategies to Achieve Results
<b>A: All employers comply with AS 23.30, the Alaska Workers' Compensation Act</b>  <u>Target #1:</u> Zero uninsured employers. <u>Measure #1:</u> Percent of uninsured employers.  <u>Target #2:</u> Zero uninsured employee injuries. <u>Measure #2:</u> Number of uninsured employee injuries.	<b>A1: Quarterly review of cancelled Workers' Compensation policies.</b>  <u>Target #1:</u> Investigate 100% of Workers' Compensation policy cancellation notices. <u>Measure #1:</u> Number of employers reviewed that cancelled their workers' compensation insurance policy or had their policy expire.  <u>Target #2:</u> Investigate employers suspected of illegally operating without workers' compensation insurance coverage. <u>Measure #2:</u> Number of employers discovered and brought into compliance.
End Results	Strategies to Achieve Results
<b>B: Improved delivery of efficient, low cost and legal informal and formal dispute resolution</b>  <u>Target #1:</u> Parties will have hearing scheduled within 90 days of notice of readiness. <u>Measure #1:</u> Number of days it takes from request of	<b>B1: Shorten the time lag for workers' compensation hearings.</b>  <u>Target #1:</u> Settle disputed issues whenever possible during prehearing conferences. <u>Measure #1:</u> The number of disputed issues that are

<p>workers' compensation hearing to date of hearing.</p> <p><u>Target #2:</u> 100% of all written decisions will be issued within 30 days of record closure.</p> <p><u>Measure #2:</u> Percent of written decisions issued within 30 days.</p> <p><u>Target #3:</u> Reduce the total number of open cases at the Appeals Commission</p> <p><u>Measure #3:</u> Open caseload at the end of the reporting period</p>	<p>settled at prehearing conferences and don't require a formal hearing.</p> <p><b>B2: Operate a timely and efficient appeals program</b></p> <p><u>Target #1:</u> Issue 100% of decisions within 90 days of hearing</p> <p><u>Measure #1:</u> Number of decisions issued within 90 days of hearing</p>
End Results	Strategies to Achieve Results
<p><b>C: More Alaskans Available for Jobs:</b></p> <p><u>Target #1:</u> Requests for reimbursement from the Fishermen's Fund will be paid within 20 days of receipt.</p> <p><u>Measure #1:</u> The number of days between the receipt of a Fishermen's Fund claim and payment.</p> <p><u>Target #2:</u> 20% of injured workers' eligible for reemployment benefits complete a viable retraining plan.</p> <p><u>Measure #2:</u> Percent of injured workers, who are eligible for reemployment benefits, who complete a retraining plan.</p>	<p><b>C1: Reduce length of time it takes to get Fishermen's Fund Council's approval of claims.</b></p> <p><u>Target #1:</u> Reduce number of days it takes to get Council's approval of claims by 25%.</p> <p><u>Measure #1:</u> Number of days to get Council's approval of claims.</p> <p><b>C2: Reduce the number of training plans that need to be returned to the rehabilitation specialists for revisions.</b></p> <p><u>Target #1:</u> Reduce the number of retraining plans that are returned to the rehabilitation specialists by 20%.</p> <p><u>Measure #1:</u> Percent of retraining plans returned to the rehabilitation specialists.</p> <p><b>C3: Quarterly review of status of cases pending with rehabilitation specialists.</b></p> <p><u>Target #1:</u> Review of all pending retraining plans will be performed quarterly.</p> <p><u>Measure #1:</u> Number of retraining plans reviewed each quarter.</p>

### Major Activities to Advance Strategies

- Improve hearing officer/workers' compensation officer mediation skills.
- Increase efficiency of dispute resolution procedures.
- Continue development of electronic data interface system and improve reporting/identification of potential uninsured employers.
- Expand work of fraud investigations unit.
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## FY2008 Resources Allocated to Achieve Results

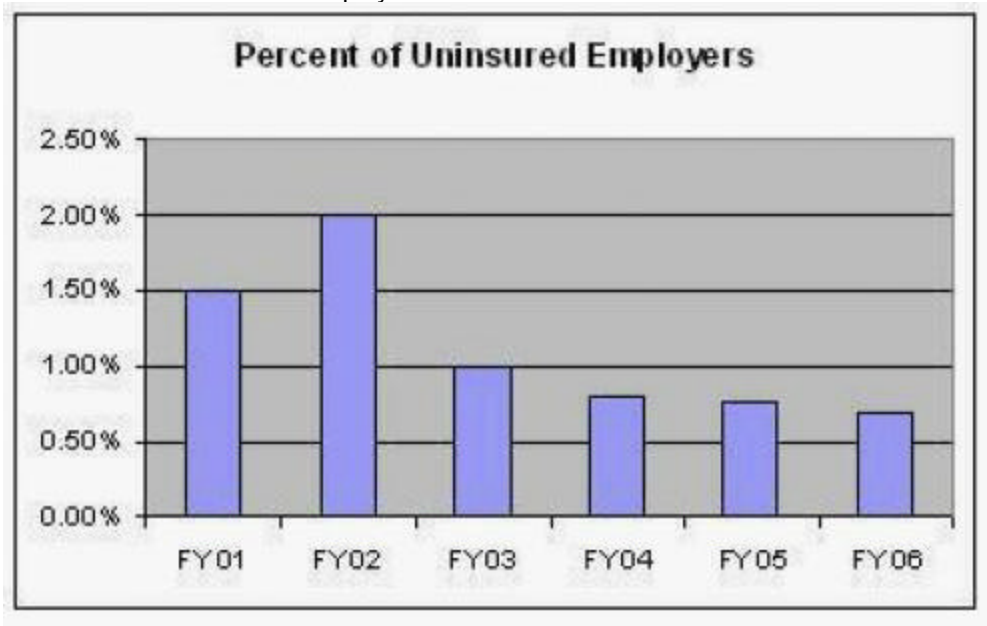
FY2008 Results Delivery Unit Budget: \$10,997,500

## Personnel:

Full time	53
Part time	1
<b>Total</b>	<b>54</b>

## Performance Measure Detail

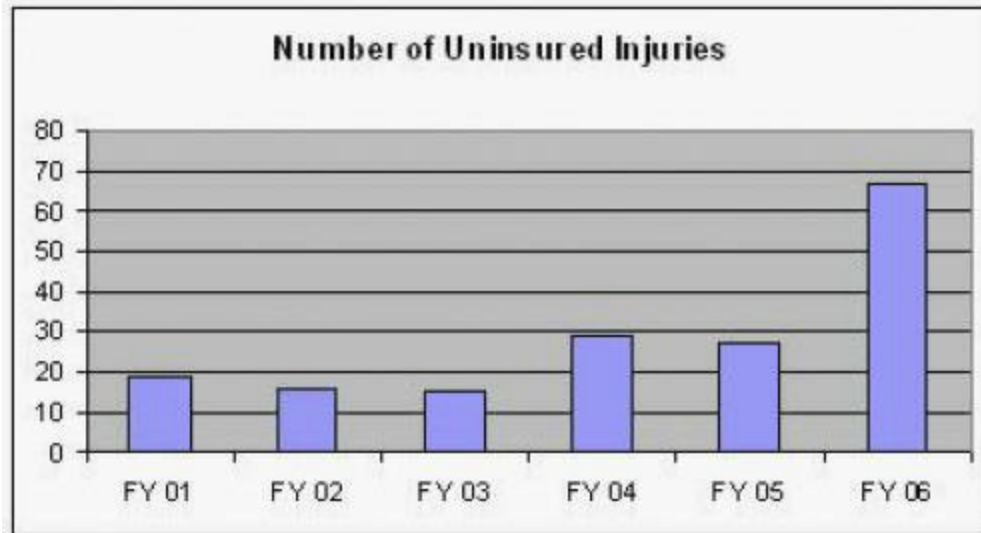
## A: Result - All employers comply with AS 23.30, the Alaska Workers' Compensation Act

**Target #1:** Zero uninsured employers.**Measure #1:** Percent of uninsured employers.

**Analysis of results and challenges:** The target for this measurement is zero uninsured employers. This target is set at zero because the law requires all employers to cover their employees under the Workers' Compensation Act. The percent of employers who were found to be uninsured has markedly declined since 2002. With the institution of a full fraud investigation section at the end of FY 06, the division is no longer limited to a single investigator to review notices of cancelled or expired Workers' Compensation insurance policies to verify if they have been replaced or renewed and will be able to locate employers who have been operating without workers' compensation insurance. In FY 06 we located 146 employers with the limited staff we had then. Development of a means to electronically compare our database with the Unemployment Insurance database to locate employers noncompliant with one law while compliant with the other continues.

**Target #2:** Zero uninsured employee injuries.

**Measure #2:** Number of uninsured employee injuries.



**Number & Percent of Uninsured Injuries to Total Workforce**

Fiscal Year	Injuries	Workforce	YTD Total
FY 2001	19	271,126	.007%
FY 2002	16	275,476	.0058%
FY 2003	15	283,444	.0053%
FY 2004	29	282,400	.0103%
FY 2005	27	287,707	.0094%
FY 2006	67	298,300	.0237%

**Analysis of results and challenges:** The number of uninsured injuries increased dramatically in FY 06. The high cost of insurance may be causing more employers to try to operate without workers' compensation coverage. As well, more uninsured injuries may have been reported by workers hoping to obtain payment from the new Benefits Guaranty Fund.

Although the division works hard to locate uninsured employers, sometimes the only way we discover a problem is when an employee is injured. The additional Investigator positions added at the end of FY 06 will allow us to do more on-site inspections and locate employers who are operating without Workers' Compensation insurance coverage which should decrease the number of uninsured injuries reported.

**A1: Strategy - Quarterly review of cancelled Workers' Compensation policies.**

**Target #1:** Investigate 100% of Workers' Compensation policy cancellation notices.

**Measure #1:** Number of employers reviewed that cancelled their workers' compensation insurance policy or had their policy expire.

**Number of Cancelled Policies Reviewed**

Fiscal Year	YTD Total
FY 2003	4,470
FY 2004	3,895
FY 2005	3,620
FY 2006	2,400

**Analysis of results and challenges:** The division reviewed 50% of cancelled policies in FY 06. Files are opened on all cases where an employer does not document proof of current coverage, or can verify they are no longer using employees or have gone out of business. Most employers have purchased coverage under another policy. Those who do not supply satisfactory evidence of coverage or of no longer needing coverage are brought before the Workers' Compensation Board.

**Target #2:** Investigate employers suspected of illegally operating without workers' compensation insurance coverage.

**Measure #2:** Number of employers discovered and brought into compliance.

#### Number of Employers Brought into Compliance with Workers' Compensation Act

Fiscal Year	YTD Total
FY 2002	129
FY 2003	189
FY 2004	158
FY 2005	141
FY 2006	146

**Analysis of results and challenges:** FY 06 marked the last year the Division was limited to one investigator to conduct investigations, bring actions against uninsured employers before the Workers' Compensation Board, and present evidence and testimony which can lead to stop orders, fines, and criminal prosecution through the Department of Law. By the end of FY 06, the fraud unit was fully staffed with five investigators.

Although the investigator's efforts resulted in more employers brought into compliance, the division observed an increase in the number of uninsured injuries reported by employees of employers operating without Workers' Compensation coverage.

SB 130 authorized the creation of a fraud unit, which was fully implemented by the end of FY 06. This unit will allow us to increase the number of investigations of uninsured employers. We have also established a toll-free line where the public can notify the division of potential abuse of the Workers' Compensation Act either by employers or employees.

### B: Result - Improved delivery of efficient, low cost and legal informal and formal dispute resolution

**Target #1:** Parties will have hearing scheduled within 90 days of notice of readiness.

**Measure #1:** Number of days it takes from request of workers' compensation hearing to date of hearing.

#### Number of Days Between Request for Hearing & Hearing Date

Fiscal Year	YTD Total
FY 2001	137
FY 2002	175
FY 2003	90
FY 2004	90
FY 2005	117
FY 2006	100

**Analysis of results and challenges:** AS 23.30.110(c) provides for a hearing to be scheduled within 60 days of request if not opposed by a party. If an opposition is filed, as they are in the vast majority of cases, a prehearing conference must be held within 30 days to set a hearing. If the hearing is scheduled within 60 days from the prehearing conference, 90 days to set a hearing from the date of request is usually reasonable.

We were not able to meet our 90-day goal in FY 06, but delays were reduced from FY 05 and we continue to believe the majority of cases were held timely with many of those held later resulting from the parties requesting additional time for preparation.

**Target #2:** 100% of all written decisions will be issued within 30 days of record closure.

**Measure #2:** Percent of written decisions issued within 30 days.

**Percent of Written Decisions Issued in 30 Days**

Fiscal Year	YTD Total
FY 2005	92.2%
FY 2006	98.8%

**Analysis of results and challenges:** FY05 established the baseline for this target. The Workers' Compensation Board hears claims regarding disputes of entitlement to benefits under the Workers' Compensation Act. After the hearing the division has 30 days to complete its work and write a formal decision and order based on the Board's determination. Those determinations will either allow or disallow an injured worker various benefits under the Workers' Compensation Act. In FY 06 we were able to increase the percent of decisions written within our 30 day target by monitoring the due dates of decisions and orders to ensure that they were completed timely.

**Target #3:** Reduce the total number of open cases at the Appeals Commission

**Measure #3:** Open caseload at the end of the reporting period

**Appeals Commission**

Year	# received	# decisions	% completed
2006	26	13	50%

*The Commission was sworn in on 11/23/05. They have not yet completed one year.*

**Analysis of results and challenges:** The Appeals Commission does not yet have a full year. We will establish a baseline and then work to ensure the number of resolved cases is at least 80% of the number of appeals received each year.

**B1: Strategy - Shorten the time lag for workers' compensation hearings.**

**Target #1:** Settle disputed issues whenever possible during prehearing conferences.

**Measure #1:** The number of disputed issues that are settled at prehearing conferences and don't require a formal hearing.

**Number of Disputed Issues Settled & Resolved**

Fiscal Year	# Prehearings	# Settled	% Settled
FY 2001	Not Available	636	0
FY 2002	Not Available	630	0
FY 2003	Not Available	818	0
FY 2004	Not Available	811	0
FY 2005	Not Available	1,165	0
FY 2006	2,213	1,049	47%

**Analysis of results and challenges:** A number of issues are settled or otherwise resolved prior to a hearing. It is the goal of the division to assist parties to reach agreement on issues prior to the need for a formal hearing. From FY 04 to FY 05 the number of issues settled without the need of a formal hearing increased dramatically and remained fairly constant for FY 06.

**B2: Strategy - Operate a timely and efficient appeals program****Target #1:** Issue 100% of decisions within 90 days of hearing**Measure #1:** Number of decisions issued within 90 days of hearing

Year	# of Decisions Written	Ave # days
2006	13	25

**C: Result - More Alaskans Available for Jobs:****Target #1:** Requests for reimbursement from the Fishermen's Fund will be paid within 20 days of receipt.**Measure #1:** The number of days between the receipt of a Fishermen's Fund claim and payment.**Number of Days to Pay Claim**

Fiscal Year	# of days	# of claims paid
FY 2002	42	810
FY 2003	36	696
FY 2004	33	814
FY 2005	35	807
FY 2006	17	781

*The computer system for the fishermen's fund was updated during FY 06 to properly collect this data. Data for fiscal years 02 through 05 has been updated using the new programming.*

**Analysis of results and challenges:** The measurement for this target is the number of days between the filing of a Fishermen's Fund claim and the date of payment. The goal is to pay claims within 20 days. Ensuring providers are paid promptly will allow fishermen to receive treatment and they will not neglect care from a lack of funds. This will aid a fisherman's recovery so they can return to work as soon as possible.

The Fishermen's Fund new claims management computer system has allowed us to reduce the length of time it takes to process claims and we were able to make our desired claims payment goal in FY 06.

**Target #2:** 20% of injured workers' eligible for reemployment benefits complete a viable retraining plan.**Measure #2:** Percent of injured workers, who are eligible for reemployment benefits, who complete a retraining plan.**Percent of Eligible Workers Completing a Retraining Plan**

Fiscal Year	# Eligible	# Completing Plan	% Completing
FY 2001	430	15	3.5%
FY 2002	457	25	5.5%
FY 2003	414	16	3.9%
FY 2004	420	18	4.3%
FY 2005	343	37	10.8%
FY 2006	298	56	18.8%

**Analysis of results and challenges:** The reemployment benefits section of the Workers' Compensation Act provides the opportunity for injured workers, who can't return to work due to their injuries, to volunteer for retraining benefits. The measurement for the reemployment benefits program is the percent of injured workers who complete a retraining plan compared to the number of injured workers who are found eligible for retraining benefits.

Of those found eligible for retraining many take a monetary settlement and do not continue forward with a retraining plan. Beginning in FY 07 the division has increased the targeted participation level to 20% and has added a staff person who will advise clients on the benefits of retraining versus a monetary settlement. We will



also follow-up with injured workers who participate in a retraining plan to determine if they have found work in the industry for which they trained.

### **C1: Strategy - Reduce length of time it takes to get Fishermen's Fund Council's approval of claims.**

**Target #1:** Reduce number of days it takes to get Council's approval of claims by 25%.

**Measure #1:** Number of days to get Council's approval of claims.

#### **Average Number of Days to get Fishermen's Fund Council's Approval**

Year	YTD Total
2004	235
2005	165
2006	98

**Analysis of results and challenges:** Approximately 10% of claims need to be approved by the Fishermen's Fund Council before they can be paid. In the past these delays have been considerable as the Council met only twice a year. To speed up this process we are working to develop a secure website that will allow the Council to meet over the web, review the files and make determinations on a more frequent basis. We hope to gather the Council for two additional meetings per year. The goal is to get the average number of days down to approximately 75. Although the system for a web based meeting has not been completed yet, we did hold a telephonic meeting (in addition to the two regularly scheduled meetings) during FY 06 allowing us to significantly decrease the length of time needed to get the Council's approval of large claims.

### **C2: Strategy - Reduce the number of training plans that need to be returned to the rehabilitation specialists for revisions.**

**Target #1:** Reduce the number of retraining plans that are returned to the rehabilitation specialists by 20%.

**Measure #1:** Percent of retraining plans returned to the rehabilitation specialists.

#### **Percent of Retraining Plans Returned to Specialists**

Fiscal Year	# Plans Submitted	# of Plans Returned	Percent Returned
FY 2005	105	47	45%
FY 2006	76	44	57%

2005 established the baseline.

**Analysis of results and challenges:** Many retraining plans need to be returned to the rehabilitation specialists because the plans do not meet the requirements of the law. The Rehabilitation Benefits Administrator plans to develop and email two electronic newsletters to the rehabilitation specialists per year. The newsletter will assist the specialists in learning the requirements of the Workers' Compensation law and outline successful plans. By communicating with the rehabilitation specialists and providing information to them about successful plans and how they can improve their initial work we hope to reduce the number of plans that are returned on first submission to approximately 10%. The faster an injured worker begins a retraining plan, the better chance they have of successfully completing the plan. Although the first year failed to bring about the desired improvements, we hope continued efforts will bring about the desired results.

### **C3: Strategy - Quarterly review of status of cases pending with rehabilitation specialists.**

**Target #1:** Review of all pending retraining plans will be performed quarterly.

**Measure #1:** Number of retraining plans reviewed each quarter.

**Analysis of results and challenges:** This is a new measure. We believe we can improve the number of retraining plans completed by more closely monitoring the status of each plan. SB 130 provided an additional employee for the rehabilitation program. This employee will enable us to track each program and ensure the plan is implemented as quickly as possible. This position wasn't filled in FY 06, but should be filled by 12/31/06.

## Key RDU Challenges

Reduce uninsured injuries by developing an electronic match of the Workers' Compensation files and Unemployment Insurance tax files to aid in the identification and investigation of suspected uninsured employers. With the added investigative staff develop more active methods to locate uninsured employers.

Continue to research and assist in efforts to address rapidly increasing workers' compensation liability insurance premium costs without adversely affecting benefits provided to injured workers.

Establish guidelines for assessing penalties for failure to provide workers' compensation insurance coverage under the changes enacted by SB 130. Develop procedures for making payments from the Benefits Guaranty Fund. Research whether maintaining the Second Injury Fund in its present form continues to meet the requirements of Alaskan employees and employers.

Create a secure website to allow the sharing of confidential information by the Council members to enable teleconferenced meetings.

## Significant Changes in Results to be Delivered in FY2008

The division will begin a trial implementation of electronic imaging for all documents, allowing for faster retrieval and a cost savings.

The Workers' Compensation fraud investigation unit will work to locate and reduce the number of uninsured employers, in an effort to reduce the number of uninsured work place injuries.

By hiring an additional position for the rehabilitation unit we will assure more employees are aware of their rights to vocational rehabilitation benefits while allowing us to monitor those participating in retraining plans.

## Major RDU Accomplishments in 2006

Set up the Workers' Compensation Appeals Commission, the Workers' Compensation fraud investigation unit and the Benefits Guaranty Fund.

The Medical Services Review committee met for several months, produced an Initial Report with recommendations and submitted the report to the Legislative Task Force as required by SB 130.

Developed draft regulations for the self-insured employer program which were last revised in 1983.

The Second Injury Fund component continues to assist in the development of the electronic data interface (EDI). This development is in several stages and the long range results will provide internal and external efficiencies. The second phase has been completed and we are now working on the third phase.

### Contact Information

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### Workers' Compensation RDU Financial Summary by Component

*All dollars shown in thousands*

	FY2006 Actuals				FY2007 Management Plan				FY2008 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<b>Formula</b>												
<b>Expenditures</b>												
None.												
<b>Non-Formula</b>												
<b>Expenditures</b>												
Workers' Compensation	3.3	0.0	3,684.7	3,688.0	3.3	0.0	4,627.8	4,631.1	3.3	0.0	5,092.6	5,095.9
Workers Comp Appeals Comm	0.0	0.0	316.9	316.9	0.0	0.0	524.0	524.0	0.0	0.0	560.4	560.4
WC Benefits Guaranty Fund	0.0	0.0	0.0	0.0	0.0	0.0	50.0	50.0	0.0	0.0	50.0	50.0
Second Injury Fund	0.2	0.0	3,313.1	3,313.3	0.2	0.0	3,962.0	3,962.2	0.2	0.0	3,982.8	3,983.0
Fishermens Fund	0.0	0.0	1,240.2	1,240.2	0.0	0.0	1,284.3	1,284.3	0.0	0.0	1,308.2	1,308.2
<b>Totals</b>	<b>3.5</b>	<b>0.0</b>	<b>8,554.9</b>	<b>8,558.4</b>	<b>3.5</b>	<b>0.0</b>	<b>10,448.1</b>	<b>10,451.6</b>	<b>3.5</b>	<b>0.0</b>	<b>10,994.0</b>	<b>10,997.5</b>

**Workers' Compensation  
Summary of RDU Budget Changes by Component  
From FY2007 Management Plan to FY2008 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2007 Management Plan</b>	<b>3.5</b>	<b>0.0</b>	<b>10,448.1</b>	<b>10,451.6</b>
<b>Adjustments which will continue current level of service:</b>				
-Workers' Compensation	0.0	0.0	0.5	0.5
-Workers Comp Appeals Comm	0.0	0.0	0.2	0.2
<b>Proposed budget increases:</b>				
-Workers' Compensation	0.0	0.0	464.3	464.3
-Workers Comp Appeals Comm	0.0	0.0	36.2	36.2
-Second Injury Fund	0.0	0.0	20.8	20.8
-Fishermens Fund	0.0	0.0	23.9	23.9
<b>FY2008 Governor</b>	<b>3.5</b>	<b>0.0</b>	<b>10,994.0</b>	<b>10,997.5</b>